

**Amendment to the Amendment in the Nature of a Substitute to Subtitle I. Budget
Reconciliation Legislative Recommendations Relating to Responsibly Funding Our Priorities
Offered by Mr. Kelly of Pennsylvania**

This amendment would strike funding for the Internal Revenue Service and replace it with H.R. 5206, the Tax Gap Reform and IRS Enforcement Act, as well as authorize appropriations to fund implementation of the Taxpayer First Act. (The Protecting Families and Small Businesses from a Supercharged IRS Amendment.)

AMENDMENT**OFFERED BY M**

Strike section 138401 and insert the following (and redesignate succeeding provisions accordingly):

1 **SECTION 138401. TAX GAP PROJECTION.**

2 (a) IN GENERAL.—Not later than 180 days after the
3 date of the enactment of this section, and no later than
4 July 31 annually thereafter, the Commissioner of Internal
5 Revenue shall submit to Congress a projection detailing
6 the tax gap estimate for the most recent taxable year as
7 is practicable using the most recently available data, and
8 including identification and detailed descriptions of the
9 data used for such projection and clear identification of
10 the amount of the projected tax gap associated with non-
11 filing, underreporting, and underpayment (including iden-
12 tifying the amount subject to collection actions).

13 (b) USE OF ARTIFICIAL INTELLIGENCE.—To the ex-
14 tent practicable, for purposes of reducing the burden on
15 taxpayers subject to National Research Program audits,
16 the Commissioner shall use artificial intelligence, including
17 neural machine learning, and other available data analysis
18 tools, including commercial analytic data providers, to cal-
19 culate a projection described in subsection (a).

1 (c) NATIONAL RESEARCH PROGRAM AUDITS.—The
2 Commissioner of Internal Revenue shall not undertake
3 more National Research Program audits than in Fiscal
4 Year 2021 to calculate a projection described in subsection
5 (a).

6 (d) TAX GAP.—For purposes of this section, the term
7 “tax gap” means the difference between tax liabilities
8 owed to the Internal Revenue Service and those liabilities
9 actually collected by such Service.

10 **SEC. 138402. JCT REPORT.**

11 (a) IN GENERAL.—Not later than 180 days after the
12 submission of the first tax gap projection to Congress
13 under section 138401, and not later than 90 days after
14 the submission of each successive submission, the Chief
15 of Staff of the Joint Committee on Taxation shall submit
16 to the Committee on Ways and Means of the House of
17 Representatives and the Committee on Finance of the
18 Senate a report analyzing such projection, including—

- 19 (1) identification of methodologies used,
20 (2) any statistical or methodological uncertain-
21 ties,
22 (3) the effect of outdated data, if any, on the
23 accuracy of such projection,
24 (4) such additional information as the Joint
25 Committee on Taxation determines is useful for

1 Congress to use to assess and analyze the tax gap
2 projections provided by the Commissioner of Internal
3 Revenue.

4 (b) RELEASE OF INFORMATION.—For purposes of facilitating the report described in subsection (a), the Secretary of the Treasury shall, in a timely manner, provide
5 cilitating the report described in subsection (a), the Secretary of the Treasury shall, in a timely manner, provide
6 retary of the Treasury shall, in a timely manner, provide
7 to the Joint Committee on Taxation such information as
8 such committee requests.

9 **SEC. 138403. RESTRICTION ON INCREASED ENFORCEMENT**
10 **FUNDS.**

11 (a) IN GENERAL.—Notwithstanding any other provision of law, no funds appropriated to the Department of
12 sion of law, no funds appropriated to the Department of
13 the Treasury for audit and enforcement purposes in excess
14 of the levels appropriated for such purposes in fiscal year
15 2021 may be expended for such purposes, including for
16 salaries, expenses, and enforcement activities, until 180
17 days after the Internal Revenue Service publishes an up-
18 dated tax gap projection pursuant to, and compliant with,
19 section 138401.

20 (b) SUNSET.—The provisions of subsection (a) shall
21 not apply after the date which is one year after the date
22 of the enactment of this section.

1 **SEC. 138404. RESTRICTION ON INCREASED FUNDING FOR**
2 **OTHER SPECIFIED PURPOSES.**

3 (a) IN GENERAL.—Notwithstanding any other provi-
4 sion of law, no funds appropriated to the Department of
5 the Treasury in excess of the levels appropriated for speci-
6 fied purposes in fiscal year 2021 may be expended for
7 specified purposes.

8 (b) SPECIFIED PURPOSES.—For purposes of sub-
9 section (a), the term “specified purposes” means—

10 (1) the implementation of new information re-
11 porting requirements on flows of deposits and with-
12 drawals in individual and small-business banking ac-
13 counts and other financial accounts,

14 (2) the targeting of United States citizens in re-
15 sponse to the exercise by such citizens of any legally
16 protected or recognized right guaranteed under the
17 First Amendment to the United States Constitution,

18 (3) the targeting of a group for regulatory scru-
19 tiny based on the ideological beliefs of such group,

20 (4) the auditing of individual taxpayers with an
21 adjusted gross income of less than \$400,000, and

22 (5) the hiring under an agreement pursuant to
23 the Intragovernmental Personnel Act of 1970 (5
24 U.S.C. 3371-3376) or any other authority of an au-
25 thorized researcher who is not a full time Federal
26 employee to access data subject to privacy protec-

1 tions afforded by section 6103 of the Internal Rev-
2 enue Code of 1986.

3 **SEC. 138405. EFFICIENT USE OF EXISTING IRS RESOURCES.**

4 For purposes of increasing enforcement actions in
5 areas of high noncompliance and reducing the corporate
6 audit no-change rate of the Internal Revenue Service to
7 below 20 percent by 2023—

8 (1) the Secretary (or the Secretary's delegate)
9 shall, not later than 180 days after the date of the
10 enactment of this section—

11 (A) update the methodology that is used
12 for the selection of corporate returns for audit,
13 and

14 (B) reassign resources of the Internal Rev-
15 enue Service such that the majority of high-in-
16 come nonfilers are subject to enforcement ac-
17 tions, and

18 (2) the Comptroller general of the United
19 States shall, within one year after the date of the
20 enactment of this section, issue a comprehensive re-
21 port to Congress on information returns and data
22 collected by the Internal Revenue Service that could
23 be deployed for compliance activities but that are
24 not currently used for such activities.

1 **SEC. 138406. IRS FELLOWSHIP PROGRAM.**

2 (a) ESTABLISHMENT.—Not later than September 30,
3 2022, the Commissioner of Internal Revenue (hereinafter
4 known as the “Commissioner”) after consultation with the
5 Chief Counsel of the Internal Revenue Service (hereinafter
6 known as the “Chief Counsel”), shall establish within the
7 Internal Revenue Service a fellowship program (herein-
8 after known as the “program”) to recruit private sector
9 tax experts to join the Internal Revenue Service to create
10 and participate in the audit task force established under
11 subsection (e).

12 (b) OBJECTIVE.—The Commissioner, after consulta-
13 tion with the Chief Counsel, shall design the program in
14 a manner such that the program—

15 (1) addresses such tax cases handled by the In-
16 ternal Revenue Service as the Commissioner deter-
17 mines—

18 (A) are the most complex, or

19 (B) include new and emerging issues, and

20 (2) recruits and retains outstanding and quali-
21 fied tax experts.

22 (c) ADVERTISEMENT OF PROGRAM.—The Commis-
23 sioner shall advertise the program in such a way as to
24 attract mid-career tax professionals, including certified
25 public accountants, tax attorneys, and such other tax pro-

1 fessionals as the Commissioner determines are appro-
2 priately qualified to handle the most complex tax cases.

3 (d) STRUCTURE.—

4 (1) IN GENERAL.—The program shall be
5 staffed by not fewer than 30 fellows at the discretion
6 of the Commissioner based on needs of the Internal
7 Revenue Service and the availability of qualified can-
8 didates.

9 (2) TERM OF SERVICE.—

10 (A) IN GENERAL.—Each fellow shall each
11 be hired for a 2-, 3-, or 4-year term of service.

12 (B) EXTENSIONS.—

13 (i) IN GENERAL.—A fellow may apply
14 for, and the Commissioner may grant, a 1-
15 year extension of the fellowship.

16 (ii) NO LIMIT ON NUMBER OF EXTEN-
17 SIONS.—There shall be no limit on the
18 number of extensions under paragraph (1).

19 (3) FELLOWSHIP VACANCIES.—The Commis-
20 sioner, after consultation with the Chief Counsel,
21 shall fill vacant fellowships—

22 (A) in such a manner as to ensure that the
23 program is staffed with no fewer than 15 fel-
24 lows, and

1 (B) as soon as practicable after the va-
2 cancy arises.

3 (4) HIRING AUTHORITY.—The Commissioner
4 shall have authority to permanently hire a fellow at
5 the end of the term of service for such fellow.

6 (e) TASK FORCE.—Not later than the date on which
7 the first fellowship is awarded under this section, the Com-
8 missioner shall establish a task force within the Internal
9 Revenue Service and the office of the Chief Counsel in
10 both national and regional office placements that includes
11 the fellows hired pursuant to subsection (d), the purpose
12 of which is to—

13 (1) perform audit case selection,

14 (2) educate Internal Revenue Service employees
15 on emerging issues,

16 (3) audit selected taxpayers,

17 (4) address offshore tax evasion and issues im-
18 plicating the Foreign Account Tax Compliance Act,
19 and

20 (5) identify, mentor, and train junior employees
21 from the Internal Revenue Service with respect to
22 audits.

23 (f) COMPOSITION.—The task force established under
24 subsection (e) may be composed of with both—

25 (1) fellows, and

1 (2) permanent employees of the Internal Rev-
2 enue Service.

3 (g) PAY OF FELLOWS.—

4 (1) IN GENERAL.—The Secretary of the Treas-
5 ury (or the Secretary's delegate) shall determine,
6 subject to the provisions of this subsection, the pay
7 of fellows recruited under subsection (a).

8 (2) PAY SCALE.—For purposes of paragraph
9 (1), the pay of a fellow shall not be less than the
10 minimum rate payable for GS–15 of the General
11 Schedule and shall not exceed the amount of annual
12 compensation (excluding expenses) specified in sec-
13 tion 102 of title 3.

14 (h) ADMINISTRATION OF PROGRAM.—The Secretary
15 may appoint a lead program officer to administer and ad-
16 vertise the program.

17 (i) ANNUAL REVIEW AND REPORT.—Not later than
18 1 year after the date on which the first fellowship is
19 awarded under this section, and annually thereafter, the
20 Commissioner shall submit to Congress a report con-
21 taining—

22 (1) an analysis of the effects of the program,

23 (2) an analysis of the return on investment of
24 the program, including calculations of all costs in-

1 curred and all tax revenue and penalties collected
2 due to the work of the task force,

3 (3) a description of the total number of fellows
4 who apply each year, and

5 (4) recommendations for changes to the pro-
6 gram, if any.

(j) RULES AND REGULATIONS.—The Commissioner, with the approval of the Secretary of the Treasury (or the Secretary's delegate), shall promulgate such rules and regulations as may be necessary for the efficient administration of the program.

12 SEC. 138407. AUTHORIZATION OF APPROPRIATIONS FOR
13 THE TAXPAYER FIRST ACT.

14 There is authorized to be appropriated such sums as
15 may be necessary to carry out all provisions of the Tax-
16 payer First Act (Public Law 116–25) except section 1201
17 of such Act.

